

The Director of Central Intelligence
Washington, D.C. 20505

NIC No. 06294-85/1
30 December 1985

National Intelligence Council

MEMORANDUM FOR: See Distribution

FROM: George Kolt
National Intelligence Officer for Europe

SUBJECT: Warning and Forecast Report for Europe

1. Attached is my report to the DCI based on our meeting held on 18 December 1985. If there are any significant amendments or additions you would wish to make, please let me know.

2. Next month's warning meeting will be held Wednesday, 22 January 1986 at 1015 in room 7-E-62, CIA Headquarters. Please have your clearances passed and call [redacted] with names of the attendees by noon, Tuesday, 21 January 1986.

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3. I also encourage you to phone in suggestions for the agenda and proposals to make opening presentations. It would be helpful to have your comments for the next meeting by Monday, 13 January 1986.

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[redacted]
George Kolt

Attachment:
a/s

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The Director of Central Intelligence
Washington, D.C. 20505

NIC No. 06294-85
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National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: George Kolt
National Intelligence Officer for Europe

SUBJECT: December Warning and Forecast Meeting

I. Main Discussion Items

A. Yugoslavia: Military/Security Situation

1. Discussion. The Yugoslav military (YPA), the most disciplined institution in the divided country, is unhappy about the internal situation but it remains wary of being drawn into complex problems which might worsen its own divisions. (Defense Minister Mamula leaves his post in May and some rivals for his post reportedly are opposing General Kadijevic, his deputy and likely heir.)

The economy is the major cause of malaise in Yugoslavia as the country enters its fifth year of austerity with inflation running over 80 per cent. Strikes have increased sharply this year. Incidents of violence by ethnic nationalists are also on the rise. The perennial resistance of Albanian nationalists in southern regions is the most explosive problem but attacks on military cadets and other violence by Croat nationalists in Split this fall have sparked new tensions. In addition, anti-military attitudes in Slovenia--including protests by young people over defense spending--challenge the YPA's special interests in unprecedented ways.

This fall, two visits by senior Soviet military leaders seemed to point to a heightened Soviet interest in Yugoslavia. The Soviets reportedly offered to sell 28 MIG-29 fighters to Yugoslavia as a way of extending their preeminence as suppliers to the air force into the early 1990s. A domestic fighter based on Western technology is to enter production then.

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2. Warning Notice. Scheduled government changes this May and a party congress in June presage increased leadership instability and sensitivity to perceived slights. US-Yugoslav ties have already suffered because of Yugoslav complaints at our refusal to support a multi-year rescheduling in 1985 and Yugoslav insensitivities to US concerns about terrorism.

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B. Political Repurcussions from EC-US Trade Disputes

1. Discussion. Differences between the US and the European Community over trade issues will remain manageable over the near term but may become more pronounced later.

Most long term trends point toward more conflicts and more entrenched EC positions. Slow growth in Europe will tend to make the EC less flexible and more defensive in responding to US complaints about unfair subsidies and trade practices. Should the Socialists in the FRG or Labor in the UK come to power, their political philosophy of distancing their country from the US will encourage them to escalate trade disputes. In addition a spiral effect in worsening protectionist sentiments would be even harder to halt. In the nearer term, world-wide overproduction of food ensures that agricultural products will be the main focus of most disputes.

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II. Monitoring Items

A. Cyprus after Kyprianou's Reelection

1. Discussion. Kyprianou's unexpected gains at the polls and Panandrou's last minute endorsement suggests that Kyprianou can readily continue his footdragging on the SYG's proximity talks initiative. The Turkish side probably is pleased that the stalemate will be laid at the Greeks' door. It will probably attempt to use this edge to diplomatic advantage and to consolidate the TRNC.

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B. Inner-German Relations

1. Discussion. Despite earlier signals that he might go to Bonn shortly after a successful US-Soviet summit in Geneva, Honecker is now waffling. The date could slip past the SED congress in April or even into 1987. Otherwise relations are proceeding normally--the two sides are ready to sign a cultural agreement and recently have agreed to an agent exchange. In addition, official visits at lower levels are in full swing.

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C. Spain

1. Discussion. Gonzalez's problems over the NATO referendum and the US bases issues are multiplying. Fraga, a key conservative, has urged his followers to abstain and this will remove a much needed source of support for continued NATO membership. [redacted] have suggested that the military is increasingly unhappy over being cut out of security talks with the US.

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D. Eastern Europe: Leadership Shifts

1. Discussion. [redacted] told Secretary Shultz that, all East European leaders, save Jaruzelski, are to be replaced soon. [redacted] Zhivkov told him he would leave office soon and that that Kadar and Honecker would relinquish their General Secretary posts to assume the Presidency. Brandt noted apparent contradictions in Gorbachev's views on Eastern European citing Gorbachev's statements recognizing the diversity in the region and his desire for more discipline in the Warsaw Pact.

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George Kolt

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